

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title: AN ORDINANCE regarding the Seattle Indian Services Commission, a City-chartered public corporation (the “Commission”); approving the Commission’s transfer of the Leschi Center to the Seattle Indian Health Board subject to certain terms and conditions; authorizing the Mayor or his designee to negotiate and execute an amendment to the Leschi Center Cooperation Agreement authorized by Ordinance 117014, most recently amended by Ordinance 120730; and authorizing the Mayor or his designee to review, approve, and execute any additional documents necessary for the Commission to effect the transfer in compliance with all legal requirements.

Summary of the Legislation: Authorizes the Seattle Indian Services Commission to transfer the Leschi Center to the Seattle Indian Health Board. The debt on the Leschi Center is guaranteed by the City of Seattle and the City Council must authorize the sale. Transfer of the property to the Seattle Indian Health Board will strengthen management of a public asset and allow the Health Board to relocate from the damaged Pearl Warren building.

Background:

The Seattle Indian Services Commission (SISC) is a public corporation chartered in 1972 to provide effective, comprehensive, and coordinated planning services, activities, and programs that meet the unique needs of the many Indian residents of Seattle. SISC owns two properties on 12th Avenue South, the Pearl Warren Building and the Leschi Center. These properties are leased to the Seattle Indian Health Board (SIHB) and the Seattle Indian Center (SIC) and the property debt is guaranteed by the City of Seattle.

Due to poor construction and water intrusion that was never addressed, the Pearl Warren Building requires repairs estimated to cost over two million dollars, and SISC does not have the financial ability to make the repairs. SIHB is the sole tenant in the Pearl Warren Building and SIHB has provided notice of landlord default and has made it clear that it cannot keep its employees working in the damaged offices indefinitely. If SIHB were to terminate its lease as a result of SISC’s failure to comply with the lease, SISC would not be able to make the payments on the bonds and the City would be required to take on the debt. Following adverse audit findings, and in an effort to address SISC’s long standing organizational problems and property management issues at the Pearl Warren Building, in 2012 City Council passed Resolution 30418 authorizing the Mayor to intervene in the affairs of SISC. The Mayor amended SISC’s charter to remove conflicts of interest from the SISC governing council and appointed Department of Finance and Administrative Services Director Fred Podesta as temporary Commission chair. Since that time, the City has provided management support to the SISC’s governing council as it works to address the future of the properties. During the past year, it was discovered that the Leschi Center also had deferred maintenance, and water intrusion damage estimated to cost over one million dollars to repair. Additionally, Seattle Indian Center, the other tenant in the Leschi

Building, has been in arrears on its rent for years, and to date has refused to reduce its space, relocate, or pay the full rent due.

As a solution to the condition both buildings and the possibility of debt default, the SISC governing council has agreed to terms to sell the Leschi Center to SIHB in exchange for SIHB paying off the building's debt (\$1.6 million), making the necessary repairs and providing ongoing maintenance so it can continue its programs at the site for next 50 years or longer.

Sale of the Leschi Center to SIHB will allow SISC to focus on the future use of the Pearl Warren Building, which will likely need to be demolished and redeveloped. As part of the sale of the Leschi Center, SIHB has agreed to make the debt service payment on the Pearl Warren Building through October 31, 2014, after which SISC will no longer have sufficient revenue to pay the debt service on the Pearl Warren building. That provides SISC with 12 months to identify a redevelopment strategy.

With the sale, SIHB will consolidate operations into the Leschi Center. This will displace the Seattle Indian Center. SIC has experienced its own operating issues and is currently more than \$100,000 behind on its rent to SISC. SIC provides important human services to the Seattle community and the City of Seattle has offered to help the SIC find alternate, affordable space for its programs. However, to date SIC has refused to accept any solution such as reducing its space and agreeing to a payment plan, paying its full rent, or relocating to a more affordable location and may resist leaving the Leschi Center.

Please check one of the following:

☐ **This legislation does not have any financial implications.**

☒ **This legislation has financial implications.** The City of Seattle guarantees the bonds on the Leschi Center and the Pearl Warren Building. Transferring the building will shift the burden of repayment to SIHB and provide an additional 12 months of debt payments for the Pearl Warren Building.. Failure to approve the legislation will likely result in a default on the Pearl Warren debt.

Appropriations:

Fund Name and Number	Department	Budget Control Level*	2013 Appropriation	2014 Anticipated Appropriation
TOTAL				

**See budget book to obtain the appropriate Budget Control Level for your department.*

Appropriations Notes:

None

Anticipated Revenue/Reimbursement Resulting from this Legislation: None

Fund Name and Number	Department	Revenue Source	2013 Revenue	2014 Revenue
TOTAL				

Revenue/Reimbursement Notes: None

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

Position Title and Department	Position # for Existing Positions	Fund Name & #	PT/FT	2013 Positions	2013 FTE	2014 Positions*	2014 FTE*
TOTAL							

* 2014 positions and FTE are total 2014 position changes resulting from this legislation, not incremental changes. Therefore, under 2014, please be sure to include any continuing positions from 2013.

Position Notes: None

Do positions sunset in the future? No

Spending/Cash Flow:

Fund Name & #	Department	Budget Control Level*	2013 Expenditures	2014 Anticipated Expenditures
TOTAL				

* See budget book to obtain the appropriate Budget Control Level for your department.

Spending/Cash Flow Notes:

Other Implications:

a) Does the legislation have indirect financial implications, or long-term implications?

The City guarantees the debt on the Leschi Center. If the City Council does not approve the transfer of the property to the Seattle Indian Health Board, the Health Board will likely vacate the Pearl Warren Building (with cause). This will result in a revenue short fall for the Seattle Indian Services Commission and a likely default on City guaranteed debt. The City will then likely need to make the debt payments in place of SISC, take control of the Pearl Warren Building, and actively look to sell the Pearl Warren Building to pay off the debt.

b) What is the financial cost of not implementing the legislation?

Debt costs for 2014 for the Pearl Warren Building are approximately \$440,000. There will be additional costs in foreclosing on the property and selling it.

c) Does this legislation affect any departments besides the originating department?

Yes. The Seattle Indian Center provides human services in the Leschi Center. The Human Services Department contracts w/ SIC to provide a portion of these services. Transferring the Leschi Center will result in eviction of SIC, who will then need to find an alternate location for its programs or cease to operate.

d) What are the possible alternatives to the legislation that could achieve the same or similar objectives? None

e) Is a public hearing required for this legislation? No

f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation? No

g) Does this legislation affect a piece of property?

h) Other Issues:

List attachments to the fiscal note below: